



Strategic Planning Process

April 2011

INTRODUCTION

This is the fourth Strategic Plan developed by the Montana Small Business Development Center (MTSBDC). A complete review of the plan was undertaken in May 2007 in anticipation of the ASBDC Accreditation review in October 2007. Another rewrite of the plan was initiated in January 2009 by the SBDC State Director due to a major downturn in the economy across the country and globally, the affects of which began to be felt in Montana in the fall of 2008. The implementation matrix continues to be discussed and updated at each quarterly meeting.

The State Director reviewed the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis from 2007 and concluded that the same issues were prevalent. An updated environmental scan was not conducted due to manpower limitations in the lead center from August 2009 until February 2011. A list of changes in the statewide economic development environment was initiated in January 2010 by the State Director. A contractor was hired in April 2010 to update the business data and statistics.

To assist the State Director with acquiring input from participants in the SBDC program throughout the state, three surveys were conducted using *Constant Contact*, a business social media marketing web site. The results of the surveys, Stakeholder, Host Agency and Staff Satisfaction, are summarized for the Strategic Plan and appear later in this document

The Vision and Mission statements have not changed but language was added by the State Director to clarify the meaning.

PURPOSE AND SCOPE

This plan uses strategic outcome planning to define the steps that the SBDC Network will take to achieve its desired position one to four years into the future. This Plan is being distributed to get stakeholder feedback as we develop the supporting goals, objectives, actions and measures which will lead the SBDC toward the attainment of action items to support strategic outcome goals.

VISION

The Montana Small Business Development Centers Network is to be the most highly recommended source of results-driven business assistance in the state and a major contributor to sustaining a healthy, growing, and globally competitive small business sector in Montana.

MISSION

The mission of the Montana Small Business Development Center is to guide existing and start-up businesses toward profitability in order to create jobs and economic wealth in Montana.

STRATEGIC OUTCOME GOALS

Following are the goals developed by the SBDC Network as set forth in the implementation schedule, which is continually revisited at each network quarterly meeting.

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|----------|--|
| Goal I | Eliminate Sunset of Statutory Appropriation in 2009 Legislative Session |
| Goal II | Achieve ASBDC Accreditation in 2008 |
| Goal III | Improve Host Satisfaction and Increase Stakeholder Support of SBDC Program |

Goal IV	Improve Client Satisfaction and Small Business Success (e.g. sales, jobs, capital infusion, business survival past 2 years, etc.)
Goal V	Improve SBDC Employee (business advisor) Satisfaction and Performance

CORE VALUES

- helping clients realize their business dreams
- business advisor professionalism and integrity
- the important role played by the SBDC in economic development
- commitment to the client - the SBDC network makes decisions in the best interest of the client
- accountability through reporting
- continuous learning and improvement (the business advisor and the client) as an integral part of the commitment to the client
- SBDC embraces productivity and the efficient and effective use of resources to meet demand
- SBDC business advisor thrives on their independence and the constant variety of work
- state and national networks are valued for their support
- commitment to consistent and high-quality service.

CORE COMPETENCIES

A core competence is a capability that helps a business or organization achieve a competitive advantage or is an asset critical to the business or organization's success. The core competence differentiates a business or organization from the rest of the market.

The SBDC's core competencies include: 1) assisting clients with understanding their financial statements and obtaining financing; and 2) providing enough information to individuals about starting a business and to help them make informed decisions as to how to proceed. The number one area in which SBDC clients need help is the client's understanding of their ability to be profitable and how to obtain financing.

Because the service is free to clients and SBDCs are generally connected with banks and knowledgeable about SBA and other loan products, this becomes the SBDC's differentiating factor to other resource providers. SBDCs have Business 101 courses, templates, and guides to assist individuals at the "tire-kicker" stage. Being able to direct clients at this early stage is also a unique characteristic that differentiates the SBDC from other resource providers.

DRIVING FORCES

Vital Issues - Or What Keeps the Lead Center Staff Up At Night: (driving forces noted in 2007, and current for 2009 and 2010)

- retention issues such as:
 - lack of recognition and appreciation of value received from SBDC
 - burnout of staff in field and Lead Center
 - no career ladder or rewards/compensation for progression in experience
- business owners and individuals interested in starting businesses are not aware of the SBDC and its services

- addressing the challenge of 35% loss in purchasing power since 1998 due to no increase in state funds and a small increase in federal funds
- creating a management structure for both the Lead Center and subcenters that addresses the heavy workload which includes counseling clients, extensive travel, and compliance with SBA requirements (performance reporting)
- delivering consistent services to all clients wherever they may be located in the state.

Top 5 Concerns of the Lead Center:

- staff retention (Lead Center and SBDC Service Centers)
- staff compensation (Lead Center and SBDC Service Centers)
- minimal increases in SBA funding since 1998 resulting in decreasing federal purchasing power (additional SBA funding of \$39,556 in 2008, \$111,111 in 2009, and \$127,776 in 2010)
- projected state government general fund deficit for 2011/2012 biennium
- creating a structure to fully implement a performance management system as expected by the SBA and ASBDC.

How is success defined for the SBDC business advisor?

SBDC business advisor knows they are successful when:

- client is able to get financing
- client gets enough information to make a decision about whether or not to go into business
- client receives information or advice to increase their business management capability
- client achieves profitability, increases sales, creates or retains jobs, receives financing, etc., as a result of the counseling session; the business advisor is able to report a milestone or economic impact.

How is success defined for the Lead Center?

- Lead Center receives fewer or no audit findings for their financial management of the SBA grant and performance management of the SBDC network
- Lead Center is consistently staffed with three people who have been retained for more than two years
- Lead Center is able to comfortably manage the workload (which means being able to take time for vacations and professional development)
- business advisors and host agency directors are onboard with the SBDC strategic goals and performance management system
- SBDC network reaches and serves clients more efficiently and effectively.

Internal Assessment – What is working and what can be improved:

- The SBDC hosts and Lead Center hire very capable, dedicated and committed individuals as new business advisors, however, they do not stay, so the SBDC network loses its experience statewide (but the state gains a skilled worker). There was stability in 2008. In 2009 and 2010 new business advisors were hired in Butte and Colstrip. The others have remained in their positions.
- The Lead Center and hosts invest in training and professional development for SBDC business advisors to make them proficient as quickly as possible; however, that

investment is lost when they leave the job. The state workforce gains a skilled economic developer.

- The Lead Center, hosts and business advisors have maximized their capacity to meet all of the expectations of accountability set by the SBA and ASBDC with the current service delivery structure.

SWOT ANALYSIS

Strengths, Weaknesses, Opportunities, and Threats

STRENGTHS – can be used to gain a competitive advantage	WEAKNESSES – are important because they need to be corrected to meet the goals
Capable, highly motivated and committed individuals are hired	Lack of sufficient pay, career ladder, pay progression, which results in diminished retention of experienced business advisors. Changing expectations from the SBA and ASBDC demand experienced business advisors.
Network management structure fosters strong local community connections and commitment, which results in local buy-in to the program	Network management structure lacks sufficient management capacity to handle the SBA, OSBDC, and ASBDC administrative activities in addition to counseling clients
Confidential one-on-one counseling that is no-cost is valued by clients	A perception that low-cost, no-cost, or free services have low value. Most SBDCs don't charge for training, earning program income to continue SBDC activities.
SBDC produces easily measured results	Collecting the information becomes a disproportionate administrative activity for a one-person operation
Demonstrated capacity to provide high-quality, cost-effective assistance that can result in enhancement of business performance	SBDC Program is still associated with assistance to start-ups (reputation 5 years ago); diminishing experience in network perpetuates this notion.
ASBDC and Montana SBDC provide tools and sponsorships to increase capacity to serve businesses; these tools could be provided to other organizations that provide business assistance (CRDCs)	Business advisors/hosts don't have sufficient staffing capacity to take advantage of the tools which bring gains in productivity.
Network business advisors are nimble in readily adapting to the introduction of new tools and ideas. Business advisors who have not been a part of the SBDC system for a long period of time are open to new ways of doing things.	Same as above. The focus on serving clients takes precedence over taking time to learn a new technology or tool.

OPPORTUNITIES – could allow SBDC to improve its position in the market or grow the network services/locations	THREATS – represent potential problems that the SBDC should consider
The SBIR/MTIP program located under the umbrella of the SBDC can add value to SBDC by serving technology clients	Diminishing, and/or loss of funding in SBIR/MTIP and SBDC program was made up with SBA funding in 2010 and a FAST grant
SBIR Technology consultants becoming integral with SBDC network	Training needed for some SBDCs in technology consulting to make useful referrals to MTIP clients. First network training June 2010.
The ASBDC Accreditation process provides a comprehensive review of SBDC capabilities and management	Loss of ASBDC Accreditation means loss of SBA funding.
Improve management capacity through restructure of network to have fewer centers that are	Loss of local SBDC accessibility and funding support in some areas of state

accountable.	
Legislative Performance Audit and successive OSBDC financial and programmatic audits have pointed out issues and problems that are opportunities for change and improvement	Continued unresolved findings throughout system could result in change in host of the Lead Center by OSBDC
Private sector funding and opportunities obtained by MTIP & SBDC Entrepreneur Development Manager promotions and network indicate potential for continued private sector support	Lack of staff capacity at network and Lead Center to fundraise diminishes increased stakeholder support
OPPORTUNITIES – could allow SBDC to improve its position in the market or grow the network services/locations (continued)	THREATS – represent potential problems that the SBDC should consider (continued)
Online tools that add value to client and business advisor productivity, purchased by Lead Center: WebCATS management information system, E-Center Direct, ProfitCents (an online financial analysis tool), and ProfitMastery.	New tools require time and effort to learn. Hiring of trained SBDC business advisors by banks.
Leveraging SBDC services with local coordinated business assistance services (locally and statewide) results in increased and improved services to businesses	Not using available program and services resources smartly, may result in less funding for all. Federal and state funding programs duplicate some aspects of SBDC services
CRDCs provide opportunity for more resources into SBDC through Big Sky Trust Fund dollars	Some CRDCs may duplicate business technical assistance - need to coordinate to leverage each other's services.
Bresnan Business Incubator offers opportunities for increased visibility and funding	Bresnan bought by a new company, changed name to Optimum, future unknown. Potential inability of SBDC network to deliver services may jeopardize relationship.
Increased funding to continue to provide services	Continuing general fund support: statutory appropriation for \$125,000 of general funds extended sunset to 2019 in 2009 legislative session.
Montana's high entrepreneurial energy	Too many clients to reach with limited staff
Montana's aging population presents opportunity for entrepreneurial activity. Highest rate of entrepreneurial activity is in the 55-64 age group.	SBDC in current structure can't provide the increasing entrepreneurial services needed

SURVEYS AND RESULTS

Three surveys, Stakeholder, Host Agency, and Staff Satisfaction, were conducted in late 2010 and again in spring 2011 by the Lead Center using *Constant Contact*, a business social media marketing web site. These surveys are a tool used by the State Director to collect feedback from the main program participants throughout the Network. The surveys enable this very important group of participants to provide feedback to managers who in turn will use the information to assist in planning the future of the Network in the next two to five years. The surveys were anonymous and only the typed-in responses were returned to the SBDC staff automatically via the web site. A summary of the results are listed below. Complete survey results are available in the Appendix.

Stakeholder Survey

The Stakeholder Survey was sent to a wide ranging group of people with ties to the Network. This survey allowed stakeholders the opportunity to respond to topics of concern for the SBDC organization.

Summary of Results:

1. What is the greatest strength of the SBDC Network and its greatest weakness?

Strengths: Business planning; dispersed network reaches all parts of state; knowledgeable personnel; high quality counselors with expertise; business advisors in touch with local market conditions; terrific resource for small businesses; **Weaknesses:** lack of funding and support from state and host agencies; high turnover of staff; lack of leadership; poor pay and benefits for staff; lack of focus or establishing priorities; structure of network limits services; too much work for current staffing levels.

2. What is the biggest challenge you face in providing services to business clients in your region? Travel time (wide territories); distances; expenses; educating clients about all the services/resources available; not enough time to spend with each client.

3. What goals do you have for the SBDC network? To continue to be there for clients and provide consistent message; better communication; increased funding from state; increase in pay for directors; more unified face - operate more like a network; maintain staffing to be able to make site visits; create good relationship with banking community; be larger.

4. Can you identify trends and issues currently impacting small business owners today in your region? How will this affect the SBDC network in the future? (For instance, in the current economic climate, are there more small businesses starting or is there a decrease? Is small business in your region planning to add or lay off employees? Current economic climate remains a challenge; need more survival strategies for business people; challenges in finding funding for small business start-ups; more restrictive access to capital by banks; fast growth in oil industry has depleted the workforce for secondary businesses; up-tick in business starts and successful financing; small businesses in area will be adding employees this spring.

5. What do you think are the most important factors (opportunities or threats) that will affect the organization in the next 2-5 years? More threats than opportunities; unsettled economic and political fronts; decrease in state and federal funding; budget and match requirements; stretched SBDC counselors; decline in quality of local directors due to low pay; employee turnover; more businesses starting up; make web site more functional for clients; finding a balance between service for high growth areas and low growth areas.

6. Are there other organizations providing the same type of services as the SBDC? Does this affect (positively or negatively) SBDC services in your area? SCORE; CRDCs; BEAR; Ag development center; SBDCs provide a unique service – not necessarily the same as other economic programs; having similar programs can confuse clients; none – which points to critical importance of a healthy SBDC network and quality subcenter counselors.

7. To what extent is the SBDC performing its mission in helping small businesses succeed in Montana? Overall score – 1.4 on scale of 1 (Great extent) to 4 (None)

8. Regarding the SBDCs mission, what in your opinion, should the SBDC network be doing to attain or maintain a high rating? Gives excellent customer service; continue to provide outreach and training; try to advocate for more staff; communicating impacts up to decision makers; hire the best people; proactively manage network to accommodate changing market demands.

9. Please feel free to add any additional comments or suggestions. Keep up the good work!; Electronic newsletter.

Host Agency

The Host Agency Survey allows host agency Directors the opportunity to respond to specific topics of concern from their perspective and provide feedback to SBDC managers.

Summary of Results:

1. Do you feel that the SBDC Business Advisor is assisting start-up businesses to successfully establish their business? **YES – 9 answers**
2. Do you feel that the SBDC Business Advisor is helping local business owners manage their businesses successfully? **YES – 9 answers**
3. Do you feel that the SBDC Business Advisor is helping you achieve your unique goals and objectives for your organization? **YES – 9 answers**
4. Do you feel that the SBDC you host is worth the investment you are making in supporting its staff and facilities? **YES – 9 answers**
5. What, should the SBDC do to maintain or attain value for your organization? **Focus on higher impact clients; additional training classes; continue counseling new and existing businesses, communicate with bankers; current trajectory is great; reporting & compliance not a problem; insufficient funding for 10-center network; communicate with hosts re SBDC strategies.**
6. How can we prevent employee turnover in the SBDC network? **Pay good benefits and wages; support colleagues; be part of team; being paid what their worth; allow flexibility and respect of Directors.**
7. Are you satisfied with how the Lead Center communicates with the host agency directors? **Overall score: 2.4. Very satisfied-2, Satisfied-2, Somewhat satisfied-4, Not satisfied-1. Improvement can be made to ongoing communication between Lead Center and the Host Agencies; confusion on roles of Host Directors and SBDC Director and staff.**
8. Do you feel that the SBDC network provides you with a mutually beneficial relationship? **Overall score: 1.4. To a great extent-5, To a moderate extent-3, To a small extent-1. Question as to whether time and travel is worthwhile in terms of professional development; too much time/attention to problem SBDCs.**
9. Are you satisfied with the working relationship between the Department of Commerce and the host agency directors? **Overall score: 2.0. Very satisfied-3, Satisfied-2, Somewhat satisfied-3. An impression of a paperwork burden that may be unnecessary; unnecessary bureaucracy; perks to SBDCs that reach longevity milestones; state center needs better understanding of how SBDC fits into host's economic development strategy.**
10. Please briefly describe the value you derive from the Montana SBDC program and list suggestions for adding value to your agency. **Value revolves around technical assistance; glue and gateway to other services; SBDC is integral to our organization; SBDC fills an important niche in our outreach; greater flexibility to service regions; would like to see a more effective marketing program; reduce host organizations, have multiple counselors in fewer.**

11. How would you rate the SBDC's value to your institution and your overall satisfaction with the SBDC? Overall score: 1.6. Very satisfied-5, Satisfied-3, Somewhat Satisfied-1.

12. Are there any other questions we should have asked? Please feel free to add any additional comments or suggestions.

Should have asked "What can host organizations do to strengthen the network?" "What can host organizations do to attract and retain great counselors?"

Staff Satisfaction

The Staff Satisfaction Survey gives every staff member throughout the Network the opportunity to respond to topics of concern to them as they continue to be the frontline of the program.

Summary of Results:

1. Do you plan on being a long-term employee or partner in the SBDC program?

Yes - 6 answers, Maybe - 2

2. Does the SBDC Host Agency Director listen and respond effectively to any complaints or grievances you submit? Are you motivated to excel at your job and even do more than you are asked to get the job done? Yes – 8 answers

3. When traveling for outreach, do you feel safe and secure everywhere you go?

Yes – 7 answers, No - 1

4. Are you satisfied with your Lead Center staff? Satisfied-7, Somewhat Satisfied-1

5. How can your Lead Center better assist you? Provide feedback throughout year on how centers are doing; do not micro manage; clearer description of where, what, etc. of money in the network; more proactive approach to deadlines and timely projects; lead center not the problem – Dept. of Commerce is lacking in support; perception that Department of Commerce is controlling everything.

6. Are you satisfied with your host agency supervisor or manager? Very satisfied-4, Satisfied-1, Somewhat Satisfied-2, Not satisfied-1

7. Do you feel that the SBDC network provides a mutually beneficial relationship? Very satisfied-4, Satisfied-1, Somewhat Satisfied-2, Not Satisfied-1

8. Do you feel the host organization provides you with a clear road map for career progression and opportunities for success? Yes – 6 answers; No – 2

9. Are you satisfied with your work environment, in terms of health, safety and comfort? Very satisfied-4, Satisfied-4, Somewhat Satisfied – 0, Not Satisfied - 0

10. Does the host organization's rewards and recognition system motivate you to do excellent work and to remain loyal to the host organization for the long term? Yes – 7 answers, No - 1

11. Do you feel that your work environment provides for good ergonomics (e.g. comfortable and safe equipment, furniture, work layout, etc. **Yes – 8 answers**

12. Do you feel that your work environment provides for comfortable space, rest rooms, eating places, etc. for both men and women who work together? **Yes – 6 answers, No - 1**

13. Do the host organization's resources (computers, supplies, information, web access, etc.) enable you to satisfactorily perform your assigned job and responsibilities in our SBDC network? **Yes – 6 answers; No - 1; more emphasis on training**

14. Do you feel that the work space provided to you is a good place to conduct business with clients and is a welcoming, professional-looking location? **Yes – 8 answers**

15. Are there any other questions we should have asked? Please feel free to add any additional comments or suggestions.

What concerns do you have regarding your host organization's relationship with the Lead Center?

Do you agree that the Host Organization works well with the Lead Center?

What can the lead center do to manage your Host Organization?

STATEWIDE MARKET AREA

Demographics

The SBDC network currently has 10 regional service centers across the state, staffed by one person who acts as counselor, trainer and manager. Each region covers multiple counties, between two to 10, with an average of approximately six counties per region. The regions span distances of 5,408 square miles to nearly 20,000 square miles, with an average of 14,557 square miles per service area. See the SBDC Regional Map (A2) and Montana Regional SBDC Service Centers Complete Comparison Table (A3) in the Appendix.

Montana Regional SBDC Service Centers Summary Comparison Table Ranked by Percent of Total Establishments								
Rank Total Estab.	SBDC	Sq. Miles*	Pop. April 1, 2010	Estab. 0 Employees 2008	Estab. 1-4 Employees 2008	Estab. 5-9 Employees 2008	Estab. >10 Employees 2008	Total Estab.
1	Missoula	6%	17%	18%	17%	17%	17%	18%
2 (tied)	Kalispell	7%	14%	17%	17%	15%	13%	17%
2 (tied)	Billings	13%	19%	17%	18%	18%	20%	17%
3	Bozeman	4%	11%	14%	16%	14%	14%	15%
4	Great Falls	12%	13%	10%	9%	12%	12%	10%
5	Butte	11%	8%	8%	7%	8%	7%	8%
6	Helena	5%	7%	7%	6%	6%	7%	7%
7 (tied)	Havre	12%	4%	3%	3%	3%	3%	3%
7 (tied)	Colstrip	16%	4%	3%	3%	4%	3%	3%
7 (tied)	Wolf Point	14%	4%	3%	3%	4%	3%	3%
*Square Miles: Land area from Census 2010 Source: U.S. Census Bureau, County Business Patterns, 2008; Nonemployer Statistics, 2008; and Census 2010 Population Estimates; Compiled by: SBDC, MTD0C, 4/11								

Montana, the 4th largest state in terms of land area, had a population of 989,415 as of April 1, 2010 and a population density of 6.8 persons per square mile. Montana has 56 counties, 129 municipalities, and seven Indian Reservations located in Big Horn, Blaine, Flathead, Glacier, Hill, Rosebud, and Roosevelt Counties. Montana's population in 2010 was predominately white at 89.4%, with the largest minority population, Native American, at 6.3%. The Hispanic population was a little under three percent at 2.9%. The ten largest cities and counties are listed below.

MONTANA: Top Ten Cities		
2010 Rank	Geographic Area	Population April 1, 2010
1	Billings	104,170
2	Missoula	66,788
3	Great Falls	58,505
4	Bozeman	37,280
5	Butte-Silver Bow (balance)	34,200
6	Helena	28,190
7	Kalispell	19,927
8	Havre	9,310
9	Anaconda-Deer Lodge County*	9,298
10	Miles City	8,410
* Consolidated city/county Source: U.S. Census Bureau, Released 3/11		

MONTANA: Top Ten Counties		
2010 Rank	Geographic Area	Population April 1, 2010
1	Yellowstone	147,972
2	Missoula	109,299
3	Flathead	90,928
4	Gallatin	89,513
5	Cascade	81,327
6	Lewis and Clark	63,395
7	Ravalli	40,212
8	Silver Bow	34,200
9	Lake	28,746
10	Lincoln	19,687
Source: U.S. Census Bureau, Released 3/11		

Overall, Montana's population rose 87,220 in ten years, for an increase of 9.7% in Montana's total population from 2000 to 2010. As the table below indicates, the top six growing counties are found in the western part of the state (except for Billings) and are spread out over the SBDC regions. In the table of the top six counties losing population, these counties are concentrated in the eastern part of the state with three in the Wolf Point region, two in the Colstrip region and one in the Billings region.

Top Six Fastest Growing Counties by SBDC Region					
County	SBDC Region	April 1, 2010	April 1, 2000	Percent Change	Rank
Gallatin	Bozeman	89,513	67,832	32.0	1
Flathead	Kalispell	90,928	74,471	22.1	2
Yellowstone	Billings	147,972	129,348	14.4	3
Missoula	Missoula	109,299	95,799	14.1	4
Lewis & Clark	Helena	63,395	55,716	13.8	5
Jefferson	Butte	11,406	10,047	13.5	6
Source: U.S. Census Bureau					

Top Six Counties Losing Population by SBDC Region					
County	SBDC Region	April 1, 2010	April 1, 2000	Percent Change	Rank
McCone	Wolf Point	1,734	2,017	-13.2	51
Daniels	Wolf Point	1,751	1,068	-13.2	52
Carter	Colstrip	1,160	1,977	-14.7	53
Golden Valley	Billings	884	2,158	-15.2	54
Treasure	Colstrip	718	4,105	-16.6	55
Sheridan	Wolf Point	3,384	861	-17.6	56
Source: U.S. Census Bureau					

Economy and Labor Force

Montana's entrance into the "2007 Great Recession" was later than rest of the nation. The National Bureau of Economic Research pronounced that the beginning of the Great Recession was December of 2007. When house prices fell for the first time in thirteen years (in the third quarter of 2007), the Big Sky State was initially insulated from the economic downturn due to a number of market factors: limited exposure to sub-prime mortgages, high tourism with over 10 million visitors to the state, high agricultural prices, and surging mineral prices. By 2009, though, unemployment was rising, especially for workers in housing related industries (construction, wood products manufacturing and real estate), income was lagging, and real estate demand falling.

According to the Bureau of Business and Economic Research at the University of Montana, the recession tightened its grip on Montana's economy in 2009, producing the first back-to-back declines in consecutive years in real nonfarm labor earnings since 1986. What began as downturns in construction and wood products industries in 2008, spread out into nearly every segment of the economy in 2009, as well as into every corner of the state.

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) collects data on many income measures, including Personal Income, Per Capita Personal Income. Personal Income includes both earned and unearned income, with unearned income including dividends, interest and rents. According to data compiled by the Census and Economic Information Center (CEIC), Montana Department of Commerce, while unearned income has grown 43.1% from 2000 to 2009 in Montana, earnings have grown 53.7% over the same period. Social security contributions have risen 64.4% over this time frame while transfer payments rose 91.5%.

Montana's per capita income is still below the nation's, however it's growth rate was 44.9% between 2000 and 2009 while the U.S. per capita income increased only 29.1%. Montana ranked 47th in the nation (including the District of Columbia) in per capita income in 2000. By 2009, the most recent data available, Montana moved up to 39th and is currently ahead of Idaho and gaining on the United States. In 2001, Montana's per capita income was \$6,915 lower than the nation's per capita income. By 2009, Montana only trailed by \$5,134.

Labor force statistics are collected by the Montana Department of Labor and Industry, under rules established by the U.S. Bureau of Labor Statistics (BLS), and represents the civilian labor force. Statewide, the unemployment rate in 2010 was 7.2% compared to a national rate of 9.6%. Unemployment has continued to drop in early 2011. In 2000, the national unemployment rate was 4% while Montana's was 4.8%. By 2010, the national unemployment rate more than doubled while Montana's increased by a third. County unemployment rates vary across the state. The table below shows the 2010 annual unemployment rate by county by SBDC region and county rank.

Montana 2010 Unemployment Rate by SBDC Region

Area	SBDC Region	Unemployment Rate*	Rank
Montana		7.2	
Big Horn	Billings	11.5	52
Carbon	Billings	6.2	29
Golden Valley	Billings	5.9	25
Musselshell	Billings	6.7	37
Petroleum	Billings	6.4	35
Stillwater	Billings	6.3	34

Sweet Grass	Billings	4.0	6
Wheatland	Billings	6.2	32
Yellowstone	Billings	5.5	20
Gallatin	Bozeman	7.1	38
Park	Bozeman	8.1	45
Beaverhead	Butte	5.7	22
Deer Lodge	Butte	7.8	44
Granite	Butte	10.4	51
Jefferson	Butte	5.8	24
Madison	Butte	7.5	41
Powell	Butte	8.9	46
Silver Bow	Butte	6.2	31
Carter	Colstrip	4.1	7
Custer	Colstrip	4.8	14
Dawson	Colstrip	4.4	11
Fallon	Colstrip	2.9	1
Powder River	Colstrip	4.2	9
Prairie	Colstrip	4.8	15
Rosebud	Colstrip	7.5	43
Treasure	Colstrip	4.8	16
Wibaux	Colstrip	3.8	4
Cascade	Great Falls	6.1	28
Fergus	Great Falls	6.3	33
Glacier	Great Falls	10.1	49
Judith Basin	Great Falls	5.7	23
Pondera	Great Falls	6.6	36
Teton	Great Falls	5.9	26
Toole	Great Falls	4.7	13
Blaine	Havre	6.0	27
Chouteau	Havre	4.4	10
Area	SBDC Region	Unemployment Rate*	Rank
Hill	Havre	5.6	21
Liberty	Havre	5.0	17
Phillips	Havre	6.2	30
Broadwater	Helena	7.5	40
Lewis and Clark	Helena	5.5	19
Meagher	Helena	9.0	47
Flathead	Kalispell	11.8	54
Lake	Kalispell	10.1	50
Lincoln	Kalispell	15.6	56
Mineral	Missoula	11.5	53
Missoula	Missoula	7.3	39
Ravalli	Missoula	9.7	48
Sanders	Missoula	14.6	55
Daniels	Wolf Point	4.5	12
Garfield	Wolf Point	4.2	8
McCone	Wolf Point	3.0	2
Richland	Wolf Point	3.7	3
Roosevelt	Wolf Point	7.5	42
Sheridan	Wolf Point	4.0	5
Valley	Wolf Point	5.1	18
* 2010 Annual Not Seasonally adjusted Source: LAUS, MT Dept. of Labor and Industry			

Montana has a skilled and educated workforce. In 2009, the U.S. Census Bureau's American Community Survey (ACS) statistics show that 90.8% of the population has a high school degree, while 27.4% hold a Bachelor's Degree or higher. According to the Current Employment Statistics (CES), U.S. Bureau of Labor Statistics, Montana has traditionally ranked among the

top states for the percentage of workers who work multiple jobs. In 2009, Montana ranked 16th in the number of multiple job holders with 3.3% of workers, which is lower than the 2008 ranking of 13th with 3.8% of workers holding multiple jobs. In fact, Montana ranks 6th in the nation for the number of workers holding more than four jobs. Montana also has a higher concentration of self-employed workers compared to the national average, including some workers who work in both a payroll job and in their home business.

Montana Businesses

In Montana, small businesses reign. Over 61.8% of businesses employ less than five workers. According to the Small Business Administration (SBA), small businesses employ less than 500 employees. Only 23 businesses or 0.06% of all businesses in Montana employ 500 or more workers, with just 7 businesses with 1,000 or more workers. These are mainly hospitals.

Montana is a state comprised of very small businesses, with 90% of all firms employing 19 or fewer workers and almost 88% of businesses with four or less employees, including the self-employed. In 2008, the self-employed accounted for almost 69% of the 119,317 total private business establishments in Montana.

According to the U.S. Census Bureau's 2007 Economic Census, (released in late 2010) the number of women-owned firms was 28,128 or 24.6% (up slightly from 24.4% in 2002) of all firms in the state. Minority owned businesses represented 3.7% of the state's businesses and generated \$329 million in revenues in 2002 (2007 data will not be released until spring 2011). According to the 2009 Current Population Survey - CPS (joint survey by the U.S. Census Bureau and U.S. Bureau of Labor Statistics), 31% of self-employed workers are female. The CPS breaks this down even further between self-employed as a primary job (30% women) and self-employed as a secondary job (31%). The 31% accounts for both those working as a primary and secondary job.

Montana Department of Labor and Industry

The following section is excerpted from the Research and Analysis Bureau, MT Dept. of Labor and Industry July 2009 edition of *Economy at a Glance* article "*The Impacts of Firm Size on Employment Growth*" by Barbara Wagner, Economist.

The current economic recession has impacted all Montana businesses. Since the official start of the recession in December 2007, Montana has lost 8,900 payroll jobs. Over 75% of those jobs are in the Construction industry. Manufacturing and Real Estate have also suffered significant job loss, while the Health Care industry has continued to add jobs. A business's industry clearly makes a difference in the likelihood of its success during this recessionary period. But even within each industry, there is wide disparity between the success and failure of businesses.

Another possible factor in firm success during this recession is the size of the business. Some argue that small businesses are more agile and better able to adapt to changing business conditions; therefore, small business can often lead the way out of a recessionary period. However, others argue that large businesses have a larger asset base that sustains the company during difficult periods. Large firms are very important for Montana employment. Despite the fact that only 4% of Montana businesses have more than 50 employees, these large businesses hire the majority of Montana workers. In fact, large firms paid out over 64% of the total wages of Montana workers in 2007, while firms with five or less employees paid out only 7%.

The table below also indicates that the share of the wages paid by larger businesses is larger than their share of employment, which means that larger businesses tend to pay higher wages than smaller firms in Montana.

Establishments and Employment by Size Class

Size Class	Percent of Businesses	Percent of Employment, 2006	Percent of Employment, 2007	Percent of Employment, 2008	2007 Wages
0 to 5	62%	8%	8%	8%	7%
6 to 10	17%	8%	8%	8%	7%
11 to 50	18%	27%	27%	26%	23%
more than 50	4%	58%	58%	58%	64%

This next table shows the number of jobs added (or lost) over the prior year by size class from 2006 to 2008. Measuring the employment changes over the prior year, rather than the prior quarter, removes the seasonal variation in hiring to reveal the underlying employment trends. With such a large percent of employment, large businesses can add many new jobs to the economy even when their growth is slow in percentage terms.

Employment Change over Prior Year

	Quarter	0 to 5	6 to 10	11 to 50	Over 50
2006	1	137	1,176	4,309	7,960
	2	935	1,570	4,805	7,983
	3	813	940	3,832	5,635
	4	996	945	3,124	5,440
2007	1	940	1,186	3,123	6,291
	2	916	975	2,327	5,084
	3	1,133	937	2,058	6,682
	4	1,230	945	1,500	6,589
2008	1	1,129	442	746	3,441
	2	561	152	-725	2,192
	3	881	-101	-1,607	1,769
	4	177	-1,099	-3,718	55
Average Change		821	672	1,648	4,927
Average Employment		32,757	35,310	113,134	247,094
Average Change as % of Employment		2.5%	1.9%	1.5%	2.0%

With an average of 4,927 new jobs every quarter, large businesses add more new jobs to the Montana economy than all other categories combined. However, small businesses grew the fastest on average, with 2.5% average growth compared to 2% growth in the largest category. The two middle size categories grew the most slowly, percentage-wise. On the other hand, small firms also performed well in 2008. In fact, job growth in the smallest business category appears to not fall off until the second quarter of 2008, after the larger size categories. The strong performance of small businesses provides support for the theory that small businesses are able to more quickly respond to changes in the economy.

The influence of size class on job growth varies by industry. Large businesses in the Government and Financial Activities industries seem to have stronger growth than small businesses. However, small businesses in Education, Utilities, Professional and Business

Services, and Manufacturing have outperformed the larger businesses within their industry. Both small and large firms have advantages over their mid-sized competitors in terms of adding jobs during both expansion and recession, although the causes behind this advantage remain unknown. The industry of the business complicates the relationship between size class and business performance, making it difficult to determine whether size or industry has a greater influence without the use of advanced statistical techniques.

The current recession has impacted medium-sized businesses more severely than large and small firms. Montana's smallest firms appear to be the most nimble during the current recession, with faster employment growth during 2008 compared to the other size classes in percentage terms. However, this rapid growth adds very little employment to the Montana economy, particularly when compared to the jobs added by businesses with over 50 employees. For more detailed information from the report, visit http://www.ourfactsyourfuture.org/admin/uploadedPublications/3629_jul09_art.pdf.

National Reports and Rankings

U.S. Chamber of Commerce

Montana ranks first in the nation for entrepreneurs and is a top spot for economic growth according to a report from the U.S. Chamber of Commerce. The report "*Enterprising States: Creating Jobs, Economic Development, and Prosperity in Challenging Times*", looks at the success of state-driven economic development by evaluating state policies, practices, job creation and other economic outputs. It says federal American Recovery and Reinvestment Act (ARRA) dollars have helped jumpstart the U.S. economy, but that state efforts will become increasingly important for driving continued economic growth over the next decade. Montana is noted as a state on the move – with a first place ranking for the category of Entrepreneurship and Innovation Performers and makes the top ten for Overall Growth Performers. *Enterprising States* gives nods to the state's Entrepreneur Development Program, Indianpreneurship programs and Montana Technology Innovation Partnership – all administered by the Montana Department of Commerce. For more information about the report, visit <http://ncf.uschamber.com/enterprising-states/>.

Kauffman Foundation

The Kauffman Foundation's report, "*The 2010 State New Economy Index*", uses 26 indicators, divided into five categories that best capture what is new about the New Economy. The five categories are: 1) Knowledge jobs, 2) Globalization, 3) Economic dynamism, 4) Transformation to a digital economy, 5) Technological innovation capacity. The Index assesses states' fundamental capacity to successfully navigate the shoals of economic change. It measures the extent to which state economies are knowledge-based, globalized, entrepreneurial, IT-driven and innovation-based – in other words, to what degree state economies' structures and operations match the ideal structure of the New Economy. The *New Economy Index* builds on four earlier Indexes, published in 1999, 2002, 2007 and 2008. The tables below show that Montana ranked 3rd in Entrepreneurial Activity, Non-Industry Investment in R&D, and Immigration and Knowledge of Workers. More rankings in the top ten include 8th in Job Churning and 8th in Online Agriculture (see footnotes at end of scoring table). For more information about the report, visit <http://www.entrepreneurship.org/en/resource-center/the-2010-state-new-economy-index.aspx>.

Kauffman Foundation's *The 2010 State New Economy Index Overall Scores for Montana*

2010 Rank	2010 Score	1999 Rank	2002 Rank	2007 Rank	Change from 2002*	Change from 2007*
37	49.7	46	41	42	4	5
* Because of differences in methodology and indicators measured, changes in ranks between 1999, 2002, 2007, 2008, and 2010 cannot all be attributed to changes in actual economic conditions in the state. Source: Kaufmann Foundation: <i>The 2010 State New Economy Index</i>						

Kauffman Foundation's *The 2010 State New Economy Index Scores by Category for Montana*

Category	Rank	Score	Category	Rank	Score
IT Professionals	45	0.67%	Managerial, Professional, Technical Jobs	43	18.5%
Workforce Education	19	39.1	Immigration of Knowledge Workers	3	13.9@
Migration of U.S. Knowledge Workers	18	13.5	Manufacturing Value-Added	50	50.2%
High-Wage Traded Services	48	8.2%	Export Focus of Manufacturing and Services	35	\$20,224
Foreign Direct Investment	49	2.1%	Job Churning	8	42.1%#
Fastest-Growing Firms	39	0.0027%	IPOs	43	3.92
Entrepreneurial Activity	3	0.45%^	Inventor Patents	20	0.0065
Online Population	31	77%	E-Gov't.	41	4.17
Online Agriculture	8	7.77~	Broadband Telecommunications	49	1.96
Health IT	25	18%	High-Tech Jobs	45	2.0%
Scientists and Engineers	39	1.89%	Patents	27	0.46
Industry Investment in R&D	41	1.08%	Non-Industry Investment in R&D	3	2.12%*
Alternative Energy Use	11	5.8	Venture Capital	25	0.07%

@ Average years of education;

Business startups and failures as a percentage of total firms

^ Adjusted number of entrepreneurs as a percentage of population

~ Composite scores = percentage of farmers with Internet access and the percentage that use computers to run their farms.

* R&D as a percentage of GSP

According to another Kauffman report, the “*Index of Entrepreneurial Activity, 1996-2009*”, there was substantial variation in entrepreneurial activity rates across states in 2009 with the entrepreneurial activity rate declining sharply in the west, from 0.42 percent in 2008 to 0.38 percent in 2009, but the west continues to have the highest rates. The top two states, Montana and Oklahoma, share the highest entrepreneurial activity rates, 470 per 100,000 adults creating businesses each month.

The *Index* also reported trends in state entrepreneurship rates over the past decade. To increase sample sizes and precision, the three-year period between 2007 and 2009 is compared to the three-year period between 1997 and 1999. Montana was one of a number of states that experienced a slight decrease in entrepreneurial activity rates, decreasing from 0.53 percent to 0.46 percent, or 0.07 percentage points. All of these changes over time are statistically significant at the 0.05 or 0.10 level of confidence. It can also be noted that estimated rates for some smaller states can vary somewhat between the two years because of imprecise estimates instead of actual changes in economic conditions for entrepreneurship. For more information about the report, visit <http://www.kauffman.org/research-and-policy/kauffman-index-of-entrepreneurial-activity.aspx>.

Corporation for Enterprise Development

The Corporation for Enterprise Development (publisher of the now discontinued *Report Card of the States*) publishes the “*Assets & Opportunity Scorecard*”, which is a comprehensive look at wealth, poverty and the financial security of families in the United States. The *Scorecard* assesses the 50 states and the District of Columbia on how well residents are faring and what states can do to help residents build and protect assets. The *Scorecard's* Businesses & Jobs Issue Area assesses the level of access American households have to business ownership and quality job opportunities. All data is collected from the latest available data sources and compiled by CFED. Montana’s Outcome Measures and rankings are found in the table below, which includes three number one rankings.

Businesses & Jobs: Is the opportunity to grow a business or get a job that pays a sufficient wage with benefits available to all those who choose to pursue it?

Outcome Measure	Ranking	State Data	U.S. Data
Small Business Ownership Rate	1	22.7%	17.7%
Private Loans to Small Business	26	\$2,042	\$2,116
Microenterprise Ownership Rate	1	20.8%	16.5%
Women’s Business Ownership Rate	3	5.4%	4.4%
Minority Business Ownership Rate	15	4.3%	4.9%
Women Owned Business Value	50	\$87,238	\$144,969
Minority Owned Business Value	45	\$114,751	\$162,824
Employee Ownership (per 1,000 firms)	39	1.0	1.4
Business Creation Rate (per 1,000 workers)	1	16.7	9.6
Employment Growth	33	-0.4%	-0.5%
Annual Unemployment Rate	15	4.5%	5.8%
Low-Wage Jobs	47	35.6%	22.2%
Average Annual Pay	50	\$30,633	\$44,458
Retirement Plan Participation	27	49.7%	47.4%
Employers Offering Health Insurance	51	40.1%	55.8%

Also included in the *Scorecard* is what the authors refer to as 'Trend Indicator'. This indicator is the 'Change in Private Loans to Small Business', defined as the percentage change in amount of private business loans less than \$1 million made in 1999-2007, per worker, adjusted to 2007 dollars. Montana's results are in the following table.

Change in Private Loans to Small Business

State	1999 (\$ adj.)	2002 (\$ adj.)	2003 (\$ adj.)	2007 (\$ adj.)	% Change 1999-2007	% Change 2003 – 2007
Montana	1,556	2,352	2,395	2,042	31.3	-14.7
Percentage change in amount of private business loans less than \$1 million made in 1999-2007, per worker, adjusted to 2007 dollars. Source: Community Reinvestment Act Data (1999, 2001, 2003, 2007). Washington, DC: U.S. Small Business Administration, Office of Advocacy, Office of Economic Research. Labor Force Data Source: Local Area Unemployment Statistics. Washington, DC: U.S. Department of Labor, Bureau of Labor Statistics						

Another aspect of the *Scorecard* is 'Policy Priorities' which includes 34 policy measures, 12 priority policies and 22 additional policies. States are assessed against criteria for what constitutes a strong policy. These policies provide a comprehensive view of what states can do to help residents build and protect assets. Policy priority data are current as of June 30, 2009. In the Montana's Business & Jobs Policy Priorities, the state showed a **'very strong policy'**, the highest score, for its 'Microenterprise Support'. For access to the full *Scorecard* report, visit <http://scorecard.cfed.org/index.php>.

Small Business & Entrepreneurship Council

The Small Business & Entrepreneurship (SBE) Council released the "*Small Business Survival Index 2009: Ranking the Policy Environment for Entrepreneurship Across the Nation*" in December 2009, which ranks the 50 states and the District of Columbia from the friendliest to the least friendly policy environments for entrepreneurship. Montana ranked 31st with a score of 59.041. The *Small Business Survival Index* is the most comprehensive measure of which states are truly friendly to small business, and which are not in terms of public policy decisions. The factors included in the *Index* – taxes, various regulatory costs, government spending, property rights, health care and energy costs, and much more – matter a great deal to the competitiveness of each state and to the well being of small business. The 2009 *Index* has been expanded to cover 36 major government-imposed or government-related costs affecting small businesses and entrepreneurs. The measures are added together for an overall rating. For a full description of the categories and further information about the report, visit <http://www.sbecouncil.org/uploads/SBSI2009.pdf>.

In April of 2010, the SBE Council published the "*Business Tax Index 2010: Best to Worst State Tax Systems for Entrepreneurship and Small Business*", which ranks the 50 states and District of Columbia according to the costs of their tax systems for entrepreneurship and small business. The report pulls together 16 different tax measures and combines those into one tax score that allows the 50 states and District of Columbia to be compared. Among the taxes included are income, capital gains, property, death/inheritance, unemployment, and various consumption-based taxes, including state gas and diesel levies. Montana's overall rank was 28th with a tax index of 37.724. The table below shows how Montana ranked in other categories. For a full description of the categories and further information about the report, visit http://www.sbecouncil.org/uploads/BTI2010_2.pdf.

Small Business & Entrepreneurship Council: Montana Rankings

Montana	Rank	Rate/Tax
Top Personal Income Tax Rates (state's top personal income tax rate)	36	69.00
Top Capital Gains Tax Rates (state's top capital gains tax rate on individuals)	38	69.00
Top Corporate Income Tax Rates (state's top corporate income tax rate)	24	67.50
Top Corporate Capital Gains Tax Rates (state's top capital gains tax rate on corporations)	25	67.50
State and Local Property Taxes (property taxes as a share of personal income)	34 (tied)	3.48
State and Local Sales, Gross Receipts and Excise Taxes (sales, gross receipts and excise taxes as a share of personal income)	3	1.02
Adjusted Unemployment Taxes (maximum state tax rate applied to state wage base and then taken as a share of state average pay)	45	4.36
State Gas Taxes (dollars per gallon of gasoline)	34	0.278
State Diesel Taxes (dollars per gallon of diesel fuel)	34 (tied)	0.286
Source: SBE Council: "Business Tax Index 2010: Best to Worst State Tax Systems for Entrepreneurship and Small Business"		

STATEWIDE CHANGES AFFECTING ECONOMIC DEVELOPMENT SINCE 2007

A state priority over the last six years has been to move toward a regional approach to economic development, in other words, a consolidation of services over time to provide one-stop regional business assistance to individuals, companies, and communities. In 2003 the Legislature created the *Certified Regional Development Corporation* structure. The program is managed in the Business Resources Division and provides certification and funding for up to 12 Certified Regional Development Corporations in Montana. In January 2010, the Department issued a new RFP and nine CRDCs were designated. The CRDC must deliver small business technical assistance to businesses with their region. The SBDC program is the primary entity to deliver small business technical assistance. An SBDC is co-located in every CRDC except for Missoula, Kalispell, Billings and Great Falls. Agreements are in place for SBDCs to provide services (See CRDC map A.4. in Strategic Plan Appendix). This program has the potential to provide funding in the form of cash match and staffing for the SBDC activities.

Following is a list of salient changes that have impacted economic development and consequently the SBDC Program:

- increased interest in alternative energy resources such as biodiesel and wind
- WIRED program ended in December 2009 which left the BioProduction Centers network without a funding source
- elimination of the MDOC RDO program on December 31, 2009. The SBDC program becomes the main portal for business assistance through MDOC
- MDOC manages Bozeman SBDC contract in early 2010 eliminating the host organization in Bozeman
- establishment of a statewide Women's Business Center, funded by the SBA, in Bozeman in Fall 2009
- The *Insure Montana* purchasing pool provides health insurance premium subsidies to 847 small businesses and their almost 2,300 employees covering over 4,000 lives, including the employees' dependents. It is funded through the voter passed tobacco tax.
- aging population - highest rate of entrepreneurship in individuals over 50

- competitive funding available to CRDCs in perpetuity under the Big Sky Trust Fund, created in 2005 Legislature and funded from the interest earnings on the Coal Tax Trust Fund
- Montana Indian Business Alliance to support private business development on Indian Reservations was created in winter 2006 and continues to grow stronger each year with greater influence and effect
- rapid advances in technology - more online tools available to SBDCs to do their jobs
- Indianpreneur Equity Fund pilot program launched in spring 2007 and continues each year to grow larger in funding resources and projects funded
- coal development in eastern Montana and the leasing of the Otter Creek tracts in southeastern Montana impact energy development
- December 2010 non-seasonally adjusted unemployment rate of 7.4%, ranking Montana 13th in the nation. Unemployment rate in 2007 (annual) was 3.5%.
- turnover 3 times in Lead Center Associate Director position since 2007
- new MDOC Department Director in July 2010
- only 5 of 10 business advisors participating in October 2007 accreditation site visits remain in the network today
- emphasis and interest in entrepreneurship
- tighter alliance with MTIP program, positive changes with STPC (state/MUS partnership)
- contract with Constant Contact finalized in January 2010.

CLIENT/MARKET SEGMENTS

Client Counseling and Training

Counseling - Through no-cost, confidential business management counseling, the SBDC business advisors work one-on-one with clients to address specific business management issues. The goal in the consulting engagement is to increase the client's management capacity so they can operate their businesses more profitably.

Training - SBDC Business start-a-business (Biz 101) courses, seminars, and other training events are designed to educate entrepreneurs and small business owners on new and innovative business management practices. These low-cost programs provide current, practical information on business topics ranging from basic business skills to advanced management techniques.

The Biz 101 courses are used as a method to screen out tire kickers from taking up valuable business advisor time. The classes provide useful basic information to help a client make a better informed decision as to whether or not to go into business. Client segments for training are the same as described above for counseling.

According to the Alliance for Continuous Improvement (AfCI) prospective SBDC clients nationwide fall into four basic groups – 67% are zero employee firms, 13% are 1-4 employees, 12% are start-ups and 8% are 5-500 employee firms. Montana approximates that model. According to AfCI, most SBDCs serve 1-3% of their market.

The primary reason clients seek the services of the SBDC is that most businesses are one person establishments and cannot afford business consulting assistance. SBDC services are priced at no cost and are relatively accessible with 10 offices located in regional economic

development agencies statewide. Services are reliable and consistent statewide. Client market segments remain consistent: pre-venture or tire-kickers, start-ups, and established businesses.

1. Pre-Venture: Not in Business – For counseling, members of this segment are primarily individuals who are interested in starting a business. They seek out SBDC assistance to acquire the information and management skills necessary to start a business. For training, members of this segment are primarily individuals interested in starting a business who seek information on the process and personal requirements of starting a business.
2. Start-Up: 0-12 Months - Members of this segment are primarily individuals who are in the process of starting a business or have recently started a new venture. These entrepreneurs seek out the SBDC assistance to acquire the management skills and information to overcome the many hurdles present during the establishment of their business.
3. Established: 1+ Year - These are firms that are past the initial start-up hurdles and have been in business for over one year. These firms may have been past clients of the SBDC. They usually come to the SBDC when they need assistance in growing their business or in dealing with a specific issue or problem.
4. Information Seekers or Tire-kickers
This segment consists of people seeking information on small business issues, both specific, and general. This could include business licensing or certification, registration of a business name, tax issues, employer issues or state small business statistics. Members of this segment might include prospective entrepreneurs, existing business owners, media, students, local and state government officials, and the public.

Historically, the MT SBDC had focused its business counseling activities on individuals at the pre-venture stage and has moved gradually away from that. Below is a table showing the percentage of pre-venture and existing businesses counseled for 2005 through 2010.

WebCATS Report

Businesses Counseled	2005	2006	2007	2008	2009	2010
Pre-Venture	51%	37%	32%	31%	34%	32%
In Business	49%	63%	68%	69%	66%	68%
Note: Calendar year; 5+ hour clients only						

With SBA's recent emphasis on counseling long-term clients, the MT SBDC expects to cultivate greater visibility of the SBDC to existing businesses, as they will be able to show the greatest impact to the SBDC program and the Montana economy.

What Do Businesses and Entrepreneurs Need?

To ignite job growth and company profitability, economic developers must support entrepreneurs, since small companies drive the economic engine. Every entrepreneur needs: access to capital, an entrepreneurial culture, talented employees, peer networks, basic infrastructure, market information, access to markets, and training in all aspects of business. This translates to information, infrastructure (physical and social), and connections. The SBDC can guide clients to these three things. Local SBDC host agencies also conduct varying

degrees of needs assessments of their businesses and stakeholders, since host agencies function as the lead economic development organizations in their regions. Host agency budgets are predominantly funded through federal programs, which also require needs assessments.

Client Satisfaction Survey

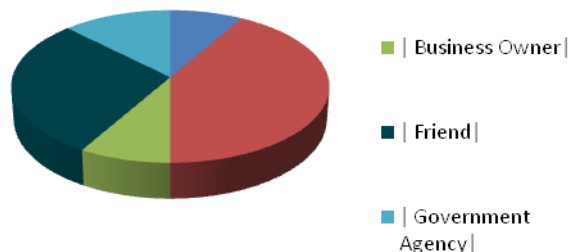
Using *Constant Contact*, a business social media marketing web site, the Lead Center conducts quarterly Client Satisfaction Surveys. The survey includes a list of questions for clients counseled at the SBDC sub-centers. Selected topics from the 2010 Survey results are below.

Please rate the counseling services you received from the MT SBDC.

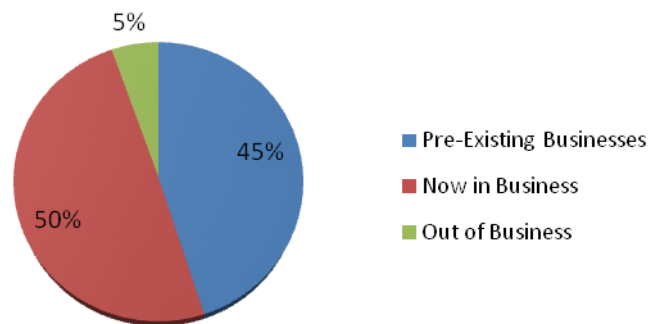
Satisfaction Survey 2010



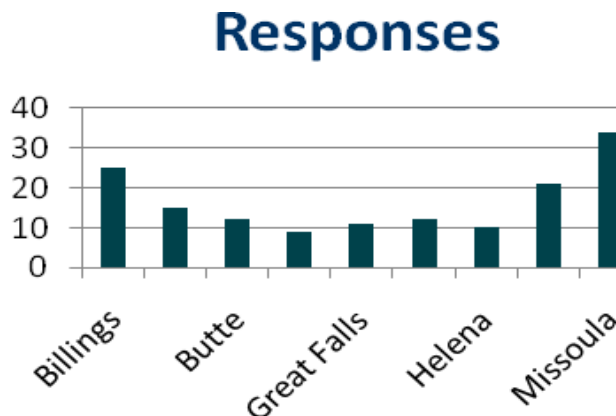
Top 5 Referrals



**Were you in business when you came to the MT SBDC?
Are you presently in business?**



Client Responses by SBDC Sub-Center



Business Expansion and Retention Program (BEAR) - Surveys

The Business Expansion and Retention (BEAR) Program continues to be a viable program to assess regional business needs. In 2010, the MEDA BEAR Working Group re-constructed the retention survey tool for Montana's businesses. The new survey encourages conversation, collects important data and is streamlined for efficient information gathering. The BEAR survey of existing business owners in the SBDC service areas from January through December of 2010, reveals the following issues under the top five business concerns: Workers' Compensation, State Tax Structure, Health Insurance, Local Tax Structure, and Access to Capital. Also included below is a table which rates responses from business owners to a number of relevant business concerns.

Workers' Compensation

- cost of Workers' Compensation, whole system in Montana is broken
- employer does a lot of safety training and does not have injury issues

- complaints about state regulations, especially high rate of worker's compensation.

State Tax Structure

- employer prefers lower taxes/rates/fees to easier lending
- greatest challenge facing business: economy and taxes.

Health Insurance

- joining local chamber to receive access to health insurance
- have health insurance for employees but it is expensive to the company
- employer realizes the importance of providing health care insurance or 401K benefits in recruiting workers
- have trouble recruiting employees due to no health insurance benefit
- help alleviate rising health insurance costs with tax credit
- need affordable health care for employees. Reduce cost of providing decent health care coverage to employees
- health insurance is very high and then the product is not good. Most in town do not have health care insurance.
- concerns regarding the Government health care plans; owner states that if they have to pay insurance for workforce they will become a self-serve restaurant.

Local Tax Structure

- local taxes are too high. Businesses have to raise the rent to break even.

Access to Capital

- needs help with financing as the local bank is very conservative
- would like assistance with Business Plan to obtain financing
- would like to buy building outright but cannot obtain financing
- financing and Incentives: high need
- capital and IWT training
- recently asked for some financing help to defer payments in current economy.
- looking for some investment capital to allow owner to move forward.

Montana Business Owners: Ratings for Relevant Business Concerns

Workforce Quality			Workforce Availability			Workforce Loyalty		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	25	17%	Excellent	21	14%	Excellent	43	29%
Good	69	47%	Good	61	41%	Good	59	40%
Fair	34	23%	Fair	39	26%	Fair	27	18%
Poor	11	7%	Poor	20	14%	Poor	13	9%
No Opinion	8	5%	No Opinion	7	5%	No Opinion	6	4%
Total	147	100%	Total	148	100%	Total	148	100%
Local Government			Local Tax Structure			State Tax Structure		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	14	10%	Excellent	7	5%	Excellent	4	3%
Good	59	42%	Good	42	29%	Good	36	25%
Fair	27	30%	Fair	48	34%	Fair	59	41%
Poor	13	11%	Poor	26	18%	Poor	30	21%
No Opinion	6	7%	No Opinion	20	14%	No Opinion	14	10%
Total	148	100%	Total	143	100%	Total	143	100%
Workers Compensation Rates			Economic Development			Cultural Amenities		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	3	2%	Excellent	19	13%	Excellent	21	14%
Good	32	22%	Good	54	37%	Good	65	45%
Fair	37	26%	Fair	40	27%	Fair	37	25%
Poor	62	43%	Poor	22	15%	Poor	15	10%
No Opinion	11	8%	No Opinion	12	8%	No Opinion	8	5%

Total	145	100%	Total	147	100%	Total	146	100%
Recreational Amenities			Housing			Childcare		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	56	38%	Excellent	5	3%	Excellent	5	4%
Good	62	42%	Good	65	45%	Good	45	32%
Fair	15	10%	Fair	53	37%	Fair	35	25%
Poor	9	6%	Poor	17	12%	Poor	9	6%
No Opinion	4	3%	No Opinion	5	3%	No Opinion	45	32%
Total	146	100%	Total	145	100%	Total	139	100%
K-12 Education			College/Universities			Technical Training		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	21	14%	Excellent	34	23%	Excellent	13	9%
Good	72	23%	Good	69	48%	Good	69	48%
Fair	29	25%	Fair	20	14%	Fair	29	20%
Poor	8	6%	Poor	3	2%	Poor	18	12%
No Opinion	15	32%	No Opinion	19	13%	No Opinion	16	11%
Total	145	100%	Total	145	100%	Total	145	100%
Healthcare			Health Insurance			Access to Capital		
Response	Count	Percent	Response	Count	Percent	Response	Count	Percent
Excellent	37	27%	Excellent	4	3%	Excellent	13	9%
Good	57	41%	Good	43	29%	Good	53	37%
Fair	28	20%	Fair	48	33%	Fair	41	29%
Poor	11	8%	Poor	39	27%	Poor	24	17%
No Opinion	6	4%	No Opinion	12	8%	No Opinion	12	8%
Total	139	100%	Total	146	100%	Total	143	100%
Source: Montana 2010 BEAR Survey								

ASBDC Chrisman Surveys

The Montana SBDC contracts each year with Jim Chrisman, PhD., an economist in Mississippi, to conduct an economic impact survey of the results of SBDC network services. The Lead Center reports this data in their annual report to SBA. SBA economic impact indicators were required to be reported by the SBA in CY 2008, 2009 and 2010.

The MT SBDC Lead Agency received a report entitled “*Economic Impact of Small Business Development Center Counseling Activities in Montana: 2008-2009*” authored by Chrisman. The report analyzes the sales and employment changes and financing obtained by a sample of established businesses and pre-ventures that received five or more hours of counseling assistance (long-term clients) from the MT SBDC in 2008. The report also provides an estimate of the jobs saved and existing sales retained through SBDC counseling.

Performance of the SBDC Network

	2009	2008
Jobs Created	377	623
Jobs Retained	347	553
Clients Counseled*	1,256	1,165
Clients Trained	2,166	3,037
Capital Infusion	\$80 million	\$55 million
Business Loans	305	221
Businesses Started	73	88
* 1 hour or more of one-on-one assistance Source: WebCATS Capital Infusion Worksheet, 2/10		

- Montana SBDC counseled 371 long-term clients of which 257 were established businesses and 114 were pre-ventures.
- Approximately 79% of established business clients indicated they would recommend SBC services to others.
- In aggregate, the long-term clients of the Montana SBDC generated \$31.3 million in incremental sales.
- A total of 396 new jobs were created because of SBDC counseling assistance.
- A total of \$73.6 million in sales and 475 jobs were saved due to counseling.
- Incremental performance of established business clients yielded \$0.12 million in tax revenues.
- A total of \$1.68 million in tax revenues were gained from pre-venture clients who started new businesses.
- The total amount of tax revenues was approximately \$1.80 million of which approximately \$0.66 million went to the state and \$1.14 million went to the federal government.
- Compared to the total cost of operating the SBDC (\$1.33 million), the counseling provided to both established business and pre-venture clients generated \$1.35 in tax revenues in one year for every \$1 spent on the entire program.
- The average cost of each new job generated was \$3,363.
- An estimated \$67.2 million in financing was obtained by clients as a result of the counseling received.
- Every dollar expended on the SBDC operation was leveraged by approximately \$50.49 in new capital raised from external sources.

TARGET STAKEHOLDERS

Target stakeholders provide funding or other resources necessary for the SBDC operation. Stakeholders can be prioritized according to the following criteria: are responsive to SBDC contacts, highly motivated to fund or provide resources to the SBDC, are likely to benefit from SBDC services or presence, likely to publicly praise and recommend SBDC services, and are members of large, influential groups who share information. Ripple Marketing assisted the SBDC network in 2004/2005 to categorize its stakeholders into segments for the purpose of more targeted communications and promotions of SBDC activities: Clients, Collaborators, SBDC Staff, and Investors, as follows:

Host Organizations – Investors

The host organizations are considered integral partners in the success and viability of the Montana SBDC program. They are considered to be investors in the program. The host organization provides much of the cash and in-kind match for the SBDC program. The staff of the organization also provides general office support, oversight, and guidance to the SBDC director to meet the SBDC program goals and objectives. The host organization's economic development programs present a synergistic environment for the SBDC. Where the host's mission is similar to the SBDC mission, the SBDC can be more effective.

State Legislators – Investors

As with the congressional delegation, the need exists for the MTSBDC to communicate with the state's legislative members as to the impact the SBDC services have on businesses within the state and on the state's economy. Lead Center efforts to activate systematic processes to inform and educate state legislators are minimal due to the constraints of being located within state government. Lead Center efforts include:

- PowerPoint Slide of SBDC Budget and Economic Impact sent to stakeholders
- information provided to MEDA Legislative committee
- approval from Director for the Lead Center to periodically disseminate SBDC accomplishments and success stories to legislators.

Congressional Delegates – Investors

Since the SBDC program is funded by federal funds, it is crucial that information regarding the performance and impact of the SBDC program be communicated to Montana Senators Tester and Baucus and Representative Rehberg. In communicating pertinent information about Montana's SBDC program, the desired effect is that the state's congressional delegation will continue to support funding for the U.S. Small Business Administration and programs under the Small Business Act, which include the SBDC program. Lead Center efforts to activate systematic processes to inform and educate federal Congressional representatives include:

- annual winter ASBDC meeting for state directors-Congressional office visits, not attended by State Director in 2010 and 2011
- communications Plan for Legislators, written but not deployed by Lead Center.

Business Expansion and Retention (BEAR) – Collaborators

The BEAR program pulls together local business and community leaders to form a volunteer assessment team to address local needs. There are 19 BEAR programs statewide divided by region – Western, Southwest, North Central, Central, South Central, and Eastern. Of these, four are co-located in host organizations of the SBDC Program. In every BEAR region, the SBDC is an integral participant. This is an excellent tool for the SBDCs to understand regional business needs.

Banks – Collaborators

The banks within the state are the network's best referral generators and most likely to support the program through cash contributions. Many of the local SBDC host organizations have cultivated relationships with area banks for referrals and contributions to their offices. It is the objective of the Lead Center to solidify consistent funding from banks for the benefit of the entire MTSBDC network. However, this support will need to be generated by local SBDC relationships with the banks in their service area. First Interstate Bank, based in Billings, an active supporter, has provided funding for the Montana Indian Business Alliance because of the relationship cultivated by the SBDC's Entrepreneurial Development Program Manager.

Other partners that do not usually contribute cash to the SBDC program instead contribute in-kind donations of space for classes, advertising, and expertise in specific business areas. As funding streams shrink for many programs, resource partners are establishing relationships to leverage their assets. The MTSBDC seeks to capitalize on these win-win relationships to meet the needs of businesses in the state with the following collaborators.

Resource Partners – Collaborators

Local chambers of commerce, host organizations, banks, and non-bank lenders are the most active resource partners to be able to achieve SBDC objectives. These major stakeholders are members of MEDA, the Montana Economic Developers Association. MEDA is a cross-representation of the statewide economic development players, with a heavy emphasis on local development organizations. The MTSBDC has other actively connected resource partners in the state that include: some colleges of technology, the five Montana Manufacturing Extension Center field engineers, the five Procurement Technical Assistance Centers, the four state Food and Agricultural Development Centers, the Department of Labor Workforce Centers, and SCORE. SCORE has been helpful in some parts of the state, but the expertise and availability of a local chapter varies across the state. After losing its funding in September 2006, a new women's business center was funded by the SBA and established in Bozeman at Prospera Business Network in Fall 2009.

Montana University System (MSU) – Collaborators

- The SBDCs, which are located in economic development organizations, generally do not use faculty and students of educational institutions.
- The Missoula SBDC collaborates with University of Montana, regularly enlisting interns from the Business School to assist the SBDC business advisor.

FEDERAL AND STATE FUNDING ALLOCATION

Since spring 2009 the Montana Department of Commerce's Lead Center distributed a minimum of \$61,500 of state and federal funding to each subcenter.

Federal and State Funding Distribution: 2011

			Match	Match			Match	Match	
	FTE	SBA	DOC HB1	DOC CDBG		Total	Host Cash Match	Host In-kind	1:1 MATCH
				31-May	1-Jun				
Billings	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Bozeman	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Butte	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Colstrip	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Great Falls	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Havre	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Helena	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Kalispell	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Missoula	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Wolf Point	1	49,000	12,500	600	1,000	63,100	24,500	10,400	49,000
Total Subcenters		490,000	125,000	6,000	10,000	631,000	245,000	104,000	490,000
Lead Ctr.Admin.		137,777				131,777			152,000
Total		627,777				762,777			642,000

Source: Small Business Development Center Lead , MT Dept. of Commerce, 2010

LOOKING AHEAD

The recent recession, officially ending in June of 2009, has certainly stamped its mark on Montana's economy. But now, in early 2011, things seem to be looking up, not only for Montana's overall economy, but for the business sector as well. According to the University of Montana, Bureau of Business and Economic Research's Outlook 2011, there is an expectation that 2011 will be a "year when growth in the state economy kicks up a notch".

The Federal Reserve Bank of Minneapolis' *fedgazette*, sites the ninth district's (which includes Montana) business owners as optimistic for 2011. In the Reserve's business outlook poll from November 2010, approximately 60% of Montana respondents to the question, *Overall, what is your outlook for your community's economy in the next 12 months?*, were optimistic, with about 40% of respondents showing a more pessimistic outlook. Other findings in the January 2011 *fedgazette* article entitled "Businesses are optimistic for 2011", indicate a more positive sentiment regarding business investment, employment and consumer spending, along with higher sales, employment and capital investment in businesses.

Other indicators of upbeat small businesses were found in a Spring 2011 article in the Billings Gazette, which quotes from a Kauffman Foundation report (see page 17 in this document), Montana's entrepreneurial spirit is still strong. The article profiles three small business owners 'who have pursued different paths to entrepreneurship'. The article also quotes a Department of Labor and Industry Economist who mentions several factors which help Montana's entrepreneurial spirit: a favorable tax environment, a well educated workforce, and the relative scarcity of large corporations. These factors will continue to play a major part in Montana's small business growth rate.